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**FISCAL IMPACT STATEMENT**

**LS 7060**

**BILL NUMBER:** HB 1235

**NOTE PREPARED:** Feb 19, 2010

**BILL AMENDED:** Feb 18, 2010

**SUBJECT:** Regulation of Appraisal Management Companies.

**FIRST AUTHOR:** Rep. Barnes

**FIRST SPONSOR:** Sen. Kruse

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Board Registration-* The bill requires appraisal management companies (AMC) to register with the Real Estate Appraiser Licensure and Certification Board (REALCB).

*Registration Fee-* The bill provides that the registration fee may not exceed \$500.

*Miscellaneous AMC Provisions-* The bill prohibits a person from owing an interest in an AMC if the person has had the person's license or certificate to act as a real estate appraiser in any state revoked and not reinstated. The bill provides that an AMC may only hire an independent contractor to perform an appraisal who holds a real estate appraiser license or certificate or a real estate broker license and is in good standing. The bill requires an individual who conducts appraisal reviews for an AMC to be a licensed or certified appraiser or a licensed real estate broker. The bill requires an AMC to maintain certain records. The bill provides that an AMC is responsible for ensuring that an appraisal meets certain standards.

*Civil Penalty-* The bill allows the REALCB to impose a civil penalty for a violation of the appraisal management company provisions.

*Infraction-* The bill makes it a Class A infraction for a person to perform appraisal management services without a certificate or registration.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** *Board Registration-* The REALCB would be required to regulate the registration of AMCs. The additional funds and resources required could be supplied through existing staff

and resources currently being used in another program or with new appropriations. The bill allows these additional fees and penalties to be deposited into the Professional Licensing Agency Investigative Fund (PLAIF) to cover costs to administer and enforce the regulation of real estate appraisers, salespersons, and brokers. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Background Information-

The PLA currently provides staff to the REALCB. The PLA staff group also handles licensing of home inspectors (via the Home Inspectors Board) and realtors (via the Real Estate Commission). Currently, there are seven staff members within the Professional Licensing Agency (PLA) that provide administrative service to the REALCB, as well as the Realtor, and Home Inspector Boards, with total salary of \$212,800 per year. PLA's FY 2011 appropriation is \$5.5 M.

Costs could increase if the PLA staff group had to attend an additional meeting of the REALCB to address additional AMC certification business. The estimated cost increase for an additional meeting follows.

Board Member Per Diem, Travel, Lodging, and other Expenses	\$1,837
Agenda Packet Preparation	\$50
Mailing of Packets	\$39
Staff Meeting Time	\$352
<b>ESTIMATED COSTS PER MEETING of REALCB</b>	<b>\$2,278</b>

The above estimate assumes full attendance by the seven-member board plus travel expenditures equal to an average round trip of 150 miles to the meeting site and back to the members' residence.

**Explanation of State Revenues:** (Revised) *Board Registration*- The bill specifies that the revenue collected from the registration fees must be determined by the REALCB as sufficient for the administration of AMC registrations. The fee would not be able to exceed \$500. Currently, the fee for the initial real estate appraiser's license is \$100 for the application/exam and \$135 or \$160 for the license depending if it is issued in an odd or even year. All fee revenue would be deposited into the PLAIF.

**Board Action-** The bill would allow the REALCB the option to use the remedies available under current law (IC 25-1-11-12) as disciplinary action against a violation of the bill made by an AMC. Action includes any or all of the following:

- 1) Permanent revocation of license;
- 2) Suspension of license;
- 3) Censure;
- 4) Issuance of a "letter of reprimand";
- 5) Probation;
- 6) Civil penalties of not more than \$1,000 per violation; and
- 7) Payment of restitution to consumer(s).

*Infraction and Civil Penalties:* An AMC that contracts with a real estate appraiser that does not meet the standards, outlined in the bill, for practice could be penalized by the REALCB by an amount not to exceed \$10,000 for each individual violation. All revenue from civil penalties would be deposited into the PLAIF.

A person that conducts appraisal management services without a certificate of registration would commit a Class A infraction. The maximum judgment for a Class A infraction is \$10,000, which would be deposited in the state General Fund. However, any additional revenue is likely to be small.

*Background Information-* The U.S. Bureau of Census reported in 2007 that there were approximately 430 AMCs operating in Indiana. Although, the REALCB oversees the licensure of 3,316 appraisers, the U.S. Bureau of Labor statistics indicates that only 2,080 of them may be currently employed in the occupation. As an example only, the following table provides an estimate of the revenue that licensing fees could raise at two different licensing fee rates.

Licensing Fee	Estimated Licensing Revenue*
\$250	\$91,250
\$500	\$182,750
*Assumes 85% of current number of AMCs (~365) would apply for certifications.	

Actual revenue the state would receive would depend on board action and the number of AMCs applying for certification.

Investigative Fund- The PLAIF received \$163,909 in revenue from licensing fees during FY 2009.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Infraction:* If additional court actions are filed and a judgment is entered, local governments would receive revenue from court fees. However, any additional revenue is likely to be small.

**State Agencies Affected:** PLA, REALCB.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Marty Allain, Lisa Bentley, PLA; PLA website; December 7, 2009, State Staffing Report; U.S. Bureau of Census; U.S. Bureau of Labor Statistics; State Budget Agency, Auditor's Data 6/30/2009.

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